

**SIOUX RIVERS MENTAL HEALTH  
AND DISABILITIES SERVICES**

**Independent Auditors' Reports  
Basic Financial Statements and  
Schedule of Findings**

**June 30, 2016**

## Sioux Rivers Mental Health and Disabilities Services

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# SIOUX RIVERS MENTAL HEALTH AND DISABILITIES SERVICES

## Regional Governance Board

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<u>Name</u>	<u>Title</u>	<u>Representing</u>
Mark Loutsch	Chairman	Plymouth County
Dennis Wright	Co-Chairman	Sioux County
Jim Henrich	Member	Plymouth County
Mark Sybesma	Member	Sioux County
Mark Monson	Member	Woodbury County
Matthew Ung	Member	Woodbury County
David Van Ningen	Ex-Officio	Provider
Mike Wood	Ex-Officio	Consumer



21 1<sup>st</sup> Avenue NW  
P.O. Box 1010  
Le Mars, IA 51031  
Phone (712) 546-7801  
[www.williamscpas.com](http://www.williamscpas.com)

## **INDEPENDENT AUDITORS' REPORT**

To the Regional Governance Board of  
Sioux Rivers Mental Health and Disabilities Services

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of Sioux Rivers Mental Health and Disabilities Services (the Region), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Region's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinions**

#### *Basis for Adverse Opinion on Governmental Activities*

As discussed in Note 3 to the financial statements, management has not recorded a liability for compensated absences in governmental activities and, accordingly, has not recorded an expense for

the current period change in that liability. Accounting principles generally accepted in the United States of America require compensated absences attributable to employee services already rendered and not contingent on a specific event outside the control of the employer and employee be accrued as liabilities and expenses as employees earn the rights to the benefits, which would increase the liabilities, reduce the net position and change the expenses of governmental activities. The amount by which this departure would affect the liabilities, net position and expenses of governmental activities has not been determined.

Also, as discussed in Note 3 to the financial statements, management has not recorded a liability for other postemployment benefits (OPEB) in governmental activities and, accordingly, has not recorded an expense for the current period change in that liability. Accounting principles generally accepted in the United States of America require the Region's annual OPEB costs based on the annual required contribution of the Region, an amount actuarially determined in accordance with GASB Statement No. 45, be accrued as liabilities and expenses, which would increase the liabilities, reduce the net position and change the expenses of governmental activities. The amount by which this departure would affect the liabilities, net position and expenses of governmental activities has not been determined.

In addition, as discussed in Note 3 to the financial statements, management has not recorded a net pension liability, deferred outflows of resources or deferred inflows of resources related to pensions in governmental activities and, accordingly, has not recorded pension expense for the current period change in that liability, deferred outflows of resources or deferred inflows of resources. Accounting principles generally accepted in the United States of America require pension costs attributable to employee services already rendered be accrued as liabilities, deferred outflows of resources, deferred inflows of resources and expenses, which would increase the liabilities, deferred outflows of resources and/or deferred inflows of resources, reduce the net position and change the expenses of governmental activities. The amount by which this departure would affect the deferred outflows of resources, liabilities, deferred inflows of resources, net position and expenses of governmental activities has not been determined.

#### *Adverse Opinion*

In our opinion, because of the significance of the matters described in the *Basis for Adverse Opinion on Governmental Activities* paragraphs above, the Statement of Net Position and the Statement of Activities of the governmental activities do not present fairly the financial position of the governmental activities of Sioux Rivers Mental Health and Disabilities Services, as of June 30, 2016, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Unmodified Opinions*

In our opinion, the accompanying Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances of each major fund present fairly, in all material respects, the financial position of Sioux Rivers Mental Health and Disabilities Services, as of June 30, 2016 and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Other Matters**

##### *Required Supplementary Information*

Management has omitted management's discussion and analysis which accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational,

economic, or historical context. Our opinions on the basic financial statements are not affected by the omitted information.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated March 13, 2017, on our consideration of Sioux Rivers Mental Health and Disabilities Services' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Sioux Rivers Mental Health and Disabilities Services' internal control over financial reporting and compliance.

*William & Lapinsky P.C.*

Certified Public Accountants

Le Mars, Iowa  
March 13, 2017

**Sioux Rivers Mental Health and Disabilities Services**  
**Statement of Net Position**  
**June 30, 2016**

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 7,674,157
Receivables:	
Property taxes:	
Delinquent	20,207
Succeeding year	4,104,208
<b>Total assets</b>	<u>11,798,572</u>
<b>Liabilities</b>	
Accounts payable	414,098
Salaries and benefits payable	5,378
<b>Total liabilities</b>	<u>419,476</u>
<b>Deferred Inflows of Resources</b>	
Unavailable revenue- succeeding year property taxes	<u>4,104,208</u>
<b>Net Position</b>	
Restricted for mental health purposes	<u><u>\$ 7,274,888</u></u>

See accompanying notes to financial statements

Sioux Rivers Mental Health and Disabilities Services  
Statement of Activities  
For the Year Ended June 30, 2016

	Program Revenues			
	Expenses	Charges for Services	Operating Grants Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental Activities:				
Mental health	\$ 4,756,417	\$ 27,916	\$ -	\$ (4,728,501)
General Revenues:				
Property tax levied for:				
Mental health purposes				4,696,395
State tax credits				410,078
Unrestricted investment earnings				5,938
Miscellaneous				161,211
Total general revenues				5,273,622
Change in net position				545,121
Net position - beginning				6,729,767
Net position - ending				\$ 7,274,888

See accompanying notes to financial statements



**Sioux Rivers Mental Health and Disabilities Services**  
**BALANCE SHEET**  
**Governmental Funds**  
**JUNE 30, 2016**

	<b>Fiscal Agent</b>	<b>Woodbury County</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 6,897,736	\$ 297,306
Receivables:		
Property tax	-	19,320
Future property tax	-	2,851,891
Total assets	<u>6,897,736</u>	<u>3,168,517</u>
<b>Liabilities</b>		
Accounts Payable	412,109	1,496
Salaries and benefits payable	-	5,298
Total liabilities	<u>412,109</u>	<u>6,794</u>
<b>Deferred Inflows of Resources</b>		
Unavailable revenue - future property tax	-	2,851,891
Unavailable revenue - delinquent property tax	-	18,881
Total Deferred Inflows of Resources	<u>-</u>	<u>2,870,772</u>
<b>Fund Balances</b>		
Restricted for:		
Mental Health Purposes	<u>6,485,627</u>	<u>290,951</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 6,897,736</u>	<u>\$ 3,168,517</u>

See accompanying notes to financial statements

<b>Plymouth County</b>	<b>Sioux County</b>	<b>Region Total</b>
\$ 84,504	\$ 394,611	\$ 7,674,157
182	705	20,207
363,771	888,546	4,104,208
448,457	1,283,862	11,798,572
-	493	414,098
-	80	5,378
-	573	419,476
363,771	888,546	4,104,208
117	669	19,667
363,888	889,215	4,123,875
84,569	394,074	7,255,221
\$ 448,457	\$ 1,283,862	11,798,572

Fund Balance as of June 30, 2016 7,255,221

Amounts reported for governmental activities in the Statement of Net Position are different because certain long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows in the governmental funds.

	19,667
Net position of governmental activities	<u>\$ 7,274,888</u>

**Sioux Rivers Mental Health and Disabilities Services**  
**Statement of Revenues, Expenditures and Changes**  
**in Fund Balance**  
**Governmental Funds**  
**For the Year Ended June 30, 2016**

	<b>Fiscal Agent</b>	<b>Woodbury County</b>
<b>Revenues:</b>		
Property and Other County Taxes	\$ -	\$ 3,382,074
Intergovernmental Revenues		
State Tax Credits	-	307,009
Payments from Member Counties	7,150,999	-
Charges for Services	24,400	3,363
Use of Money and Property	5,938	-
Miscellaneous	-	161,211
Total Revenue	<u>7,181,337</u>	<u>3,853,657</u>
<b>Expenditures:</b>		
Services to Persons With:		
Mental Illness	2,812,137	233,959
Intellectual Disability	783,307	70,557
Other Developmental Disabilities	30,042	-
Total Direct Services to Consumers	<u>3,625,486</u>	<u>304,516</u>
General Administration:		
Direct Administration	503,640	75,465
Distribution to MHDS Regional Fiscal Agent	-	5,615,959
Total General Administration	<u>503,640</u>	<u>5,691,424</u>
Total Mental Health, Intellectual Disabilities and Developmental Disabilities Expenditures	<u>4,129,126</u>	<u>5,995,940</u>
Excess (Deficiency) of Revenues Over Expenditures	3,052,211	(2,142,283)
Fund Balance Beginning of Year	3,433,416	2,433,234
Fund Balance End of Year	<u>\$ 6,485,627</u>	<u>\$ 290,951</u>

Amounts reported for governmental activities in the Statement of Activities are different because some revenues will not be collected for several months after the Region's year end, therefore, are not considered available revenues in the governmental funds

Change in net position of governmental activities

Plymouth County	Sioux County	Elimination Entries	Region Total
\$ 344,556	\$ 979,128	\$ -	\$ 4,705,758
28,511	74,558	-	410,078
-	-	(7,150,999)	-
-	153	-	27,916
-	-	-	5,938
-	-	-	161,211
373,067	1,053,839	(7,150,999)	5,310,901

47,915	101,481	-	3,195,492
20,928	66,195	-	940,987
-	-	-	30,042
68,843	167,676	-	4,166,521

	10,791	-	589,896
283,771	1,251,269	(7,150,999)	-
283,771	1,262,060	(7,150,999)	589,896

352,614	1,429,736	(7,150,999)	4,756,417
20,453	(375,897)	-	554,484
64,116	769,971	-	6,700,737
\$ 84,569	\$ 394,074	\$ -	\$ 7,255,221

Excess (Deficiency) of Revenues Over Expenditures \$ 554,484

(9,363)

\$ 545,121

# SIoux RIVERS MENTAL HEALTH AND DISABILITIES SERVICES

## Notes to the Financial Statements

June 30, 2016

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### Note 1 – Summary of Significant Accounting Policies

Sioux Rivers Mental Health and Disability Services is a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa. The Region includes the following member counties: Woodbury, Plymouth and Sioux County. The member counties entered into this 28E agreement on November 18, 2014 to create a mental health and disability service regional administrative entity as described by Chapter 331.389 of the Code of Iowa to provide local access to mental health and disability services for adults and to engage in any other related activity in which an Iowa 28E organization may lawfully be engaged.

The Region governing board is comprised of at least two board of supervisors' members, or their designees, from each member county. The governing board also includes one individual who utilizes mental health and disability services and one who is a mental health provider, serving in a nonvoting, ex officio capacity.

Sioux Rivers Mental Health and Disability Services designated Woodbury County as the fiscal agent to account for all funds of the organization as permitted by Chapter 331.391 of the Code of Iowa.

The Region's financial statements are prepared in conformity with accounting principles generally accepted in the United States as prescribed by the Governmental Accounting Standards Board except as noted in the notes. The financial statements of the Region are intended to present the financial position and the changes in financial position of Sioux Rivers Mental Health and Disability Services, which includes funds held by the Region's fiscal agent and funds held by the individual member counties in their respective special revenue mental health funds. Capital assets used for mental health purposes are owned by the respective member counties and, accordingly, are not reported in these financial statements.

#### A. Reporting Entity

For financial reporting purposes, Sioux Rivers Mental Health and Disability Services has included all funds, organizations, agencies, commissions and authorities. The Region has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Region are such that exclusion would cause the Region's financial statement to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Region to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Region. The Region has no component units which meet the Governmental Accounting Standards Board criteria.

#### B. Basis of Presentation

Entity-wide financial statements – The Statement of Net Position and the Statement of Activities report information on all of the activities of the Region.

The Statement of Net Position presents the Region's assets, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following category:

# SIOUX RIVERS MENTAL HEALTH AND DISABILITIES SERVICES

## Notes to the Financial Statements

June 30, 2016

### Note 1 – Summary of Significant Accounting Policies – (Continued)

*Restricted net position* results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include grants, contributions and interest restricted to meeting the operational requirements of a particular function. Property and other county tax, state tax credits, unrestricted interest income and other items not properly included among program revenues are reported as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The Region reports the following major governmental funds:

Special Revenue:

Mental Health Fund (Fiscal Agent) is used to account for the activity of the Region not expended directly from the Mental Health Funds of the individual member counties.

Member County Mental Health Funds are used to account for property tax and other revenues to be used to fund mental health, intellectual disabilities and developmental disabilities services.

#### C. Measurement Focus and Basis of Accounting

The entity-wide financial statements are reported using economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the Region considers revenues to be available if they are collected by the Region or member county within 90 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measureable and available only when cash is received by the Region or member county.

# **SIOUX RIVERS MENTAL HEALTH AND DISABILITIES SERVICES**

## **Notes to the Financial Statements**

**June 30, 2016**

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### **Note 1 – Summary of Significant Accounting Policies – (Continued)**

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the Region funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the Region's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the Region's policy is to pay the expenditure from restricted fund balance and then from less-restrictive classifications – committed, assigned and then unassigned fund balances.

#### **D. Assets, Liabilities, Deferred Inflows of Resources and Fund Equity**

The following accounting policies are followed in preparing the financial statements:

Cash, Cash Equivalents and Pooled Investments – The cash balances of most Region funds are pooled and invested with their respective County. Interest earned on investments is recorded either by the fiscal agent or the member county mental health fund unless otherwise provided by law.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by each member county board of supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by each member county board of supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, each member county board of supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the entity-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 2014 assessed property valuations; is for the tax accrual period of July 1, 2015 through June 30, 2016 and reflects the tax asking contained in the budget certified by each member county board of supervisors in March 2015.

# SIoux RIVERS MENTAL HEALTH AND DISABILITIES SERVICES

## Notes to the Financial Statements

June 30, 2016

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### Note 1 – Summary of Significant Accounting Policies – (Continued)

Due from and Due to Other Members – During the course of its operations, the Region has numerous transactions between member counties. To the extent certain transactions between member counties had not been paid or received as of June 30, 2016, balances of member county interfund amounts receivable or payable have been recorded in the fund financial statements.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Due to Other Governments – Due to other governments represents taxes and other revenues collected by the Region and payments for services which will be remitted to other governments.

Deferred Inflows of Resources – Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within ninety days after year end.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivables that will not be recognized until the year for which it is levied.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by the law through constitutional provisions or enabling legislation.

### Note 2 – Cash and Investments

The Region's deposits in banks at June 30, 2016 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Region is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Region; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.



# **SIOUX RIVERS MENTAL HEALTH AND DISABILITIES SERVICES**

## **Notes to the Financial Statements**

**June 30, 2016**

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### **Note 2 – Cash and Investments (Continued)**

The Region had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 72.

### **Note 3 – Compensated Absences, Other Post Employment Benefits (OPEB) and Pension Plan**

In accordance with statements of understanding between the Regional Governance Board and each individual member county board of supervisors, the Regional Chief Executive Officer, the Coordinators of Disability Services and all support staff of the Region remain employees of the respective individual member counties. The applicable portion of the employee's wages and benefits are reimbursed to the individual member county from the Region.

The individual member county employees also accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. Also, the individual member county employees are provided other postemployment and pension benefits. U.S. generally accepted accounting principles require deferred outflows of resources, liabilities, deferred inflows of resources and related expenses to be recorded when incurred for these items on the governmental activities financial statements. The Region's governmental activities financial statements do not report these amounts.

### **Note 4 – Risk Management**

The Region is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. The Region assumed liability for any deductibles and claims in excess of coverage limitations. Settled claims for these risks have not exceeded commercial insurance coverage for the past year.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Regional Governance Board of

Sioux Rivers Mental Health and Disabilities Services

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Sioux Rivers Mental Health and Disabilities Services, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Sioux Rivers Mental Health and Disabilities Services' basic financial statements, and have issued our report thereon dated March 13, 2017. Our report expressed unmodified opinions on the financial statements of each major fund. Our report expressed an adverse opinion on the financial statements of the governmental activities due to the omission of compensated absences, other postemployment benefits and pension related activity.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered Sioux Rivers Mental Health and Disabilities Services' internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Sioux Rivers Mental Health and Disabilities Services' internal control. Accordingly, we do not express an opinion on the effectiveness of the Sioux Rivers Mental Health and Disabilities Services' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether Sioux Rivers Mental Health and Disabilities Services' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the Region's operations for the year ended June 30, 2016 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Region. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

### ***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Region's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Region's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Sioux Rivers Mental Health and Disabilities Services during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

  
Certified Public Accountants

Le Mars, Iowa  
March 13, 2017

**SIoux RIVERS MENTAL HEALTH AND DISABILITIES SERVICES**  
**Schedule of Findings**  
**Year Ended June 30, 2016**

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**Part I: Summary of the Independent Auditor's Results**

- (a) A modified opinion was issued on the governmental activities financial statements. Unmodified opinions were issued on the governmental fund financial statements.
- (b) No material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major program were disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major program.

**Part II: Findings Related to the Financial Statements Reported in Accordance with Government Auditing Standards**

**INSTANCES OF NONCOMPLIANCE:**

No matters were noted.

**Part III: Other Findings Related to Required Statutory Reporting**

- III-A-16**      Region Minutes – No transactions were found that we believe should have been approved in the Region minutes but were not.
- III-B-16**      Travel Expenses – No disbursements of Region money for travel expenses of spouses of Region officials or employees were noted.
- III-C-16**      Deposits and Investments – No Instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the Region's investment policy were noted.
- III-D-16**      Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

**SIOUX RIVERS MENTAL HEALTH AND DISABILITIES SERVICES**  
**Schedule of Findings**  
**Year Ended June 30, 2016**

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**Part IV: Other Findings Related to Required Statutory Reporting**

**III-E-16** Business Transactions – Business transactions between the Region and Region Officials are detailed as follows:

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Name, Title and Business Connection	Transaction Description	Amount
Waiter Media, Son of Executive Director	IT Support and Supplies	\$ 691

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This transaction does not appear to represent a conflict of interest.